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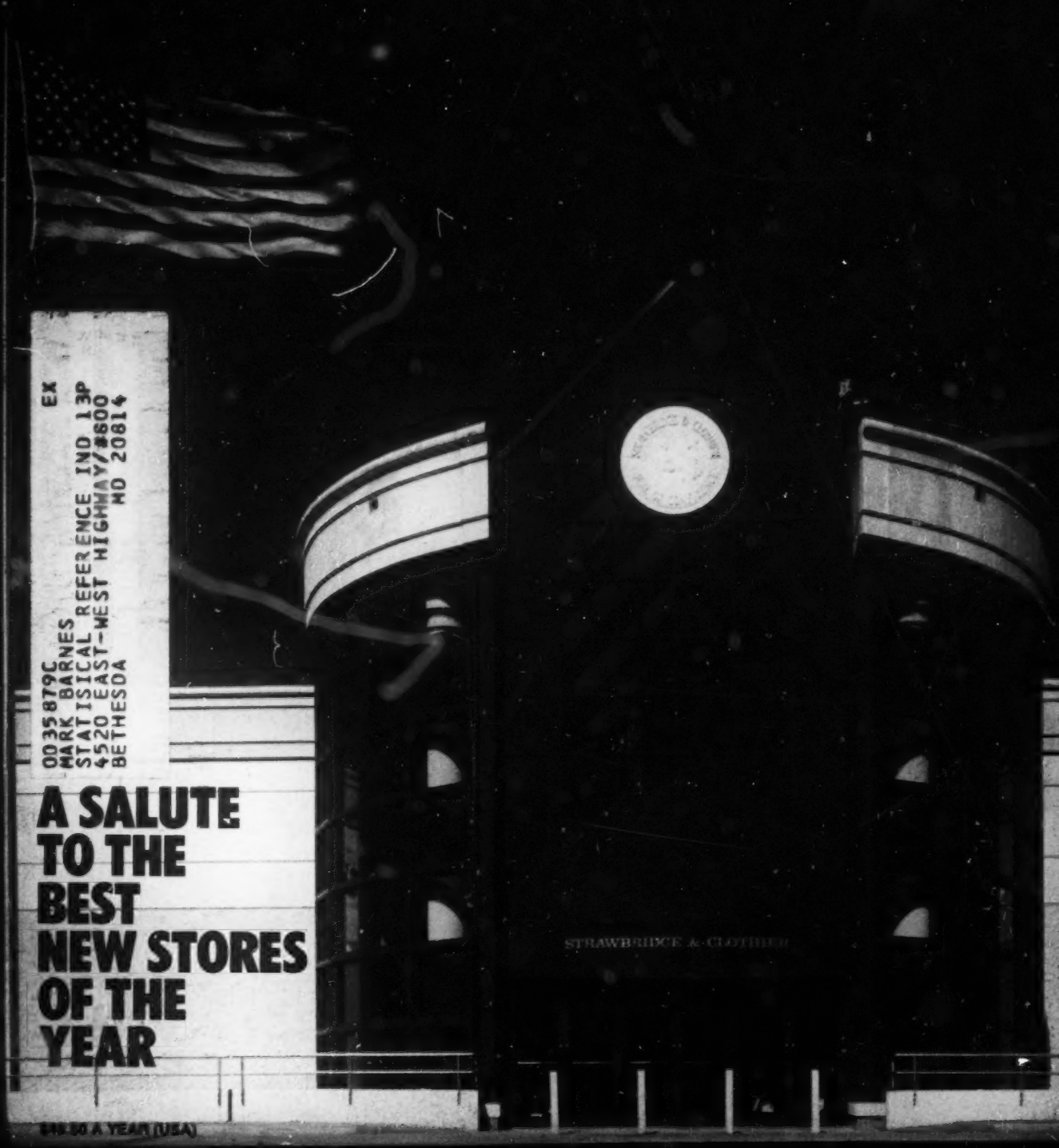
Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail management
MARCH 1989



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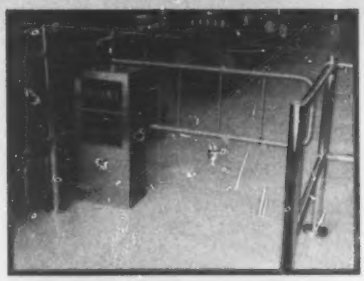

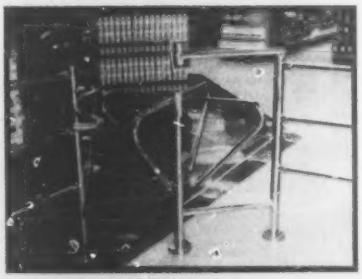

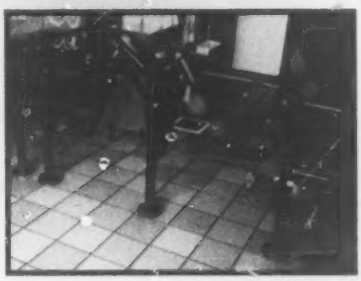

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CONTENTS

DESIGNS THAT WIN AND SELL

Stores that are as easy to shop as they are attractive emerged as winners in the 7th annual New Store of the Year design contest sponsored by *Chain Store Age Executive*. The winners offered bold, dramatic and different designs that were not afraid to make statements about who or what they are. 58

DEPARTMENTS

International: Europe will become one big Common Market after 1992, posing opportunities and challenges U.S. merchants must face up to now if they want to be part of that burgeoning retail scene. 18

Strategy: Michel Coutu is one hungry drug store operator. The French Canadian is on the prowl for New England drug stores to flesh out his fledgling Maxi Drugs. 19

The Jean Coutu Group has franchised its way into becoming Canada's second largest drug chain. . 22

Marketing: Who has the best formula and who secures the best real estate may well determine who survives the increasingly populated office supplies superstore field. . . 113

Merchandising: Frilly maternity dresses with sailor collars and puffy sleeves didn't fit the needs of Wall Street analyst Christine LaBastille, so she set up her own store that caters to the professional mom-to-be. . 126

Physical Supports: Hypermarkets aren't the only type of European import to make their presence felt. U.S. supermarketers are finding that European-styled curved-glass cases sell more product than straight-front cases. Manufacturers are finding solutions to the problem of adequate refrigeration. 138

Store Design: The baseball season never ends for fans of the Oakland

From the Editor's Desk 6
Letters to the Editor 7
Perspectives 11
New Equipment & Services . . . 156
People 171
Advertising Index 178

CONTENTS

HAS K MART FOUND THE HYPERMARKET FORMULA?

Upscale merchandise and presentation are part of American Fare's package to lure steady customers. The 244,000-sq.-ft. edifice combines a supermarket with a farmer's market and off-price store. 16

MID-GULF STATES REBOUNDING FROM ENERGY CRUNCH

Hit hard by the oil and gas crisis of the early 1980s, Louisiana, Alabama and Mississippi are poised for a rebound. Alabama is leading the charge, with New Orleans bouncing back first in Louisiana. 27

KINDERZIMMER: A SCIENTIFIC APPROACH TO TOYS

High quality products not found in depth in other toy stores is the strategy behind KinderZimmer. The new San Francisco specialty store researches children's attitudes before stocking merchandise. 121

A's, thanks to the new Oakland A's Clubhouse, the first of a chain of athletic wear shops that recreate the look and feel, though not the smell, of the real thing. 148

Executive Forum: Copycat merchandising doesn't work. Retailers should create their own selling environment. 154

Finance: Shareholder value can be measured only through an analysis of corporate strategies. 174

December sales climbed an average 15.8% thanks to balmy weather and clean inventories. 176

Productivity statistics by retail segment. 176

SHOPPING CENTER AGE

Louisiana is rebounding from the energy crunch of the early 1980s with New Orleans leading the way. The Big Easy is going to have the best shopping between Houston/Dallas and Atlanta. 27

Alabama is a magnet for new anchor tenants. Old centers are expanding or renovating. Birmingham is "Pittsburgh South," evolving from steel to a diversified economic base. . . . 31

Mississippi is not exactly burning with development activity, but it's a misconception that construction has died. The economy has stabilized, with growth coming mainly in the more populous southern portion of the state. 38

On Center 41

Shopping Center Age News . . . 45

Development Activity 51

RETAIL TECHNOLOGY

The Dexter Deli machine may be an answer to long lines, and potentially lost sales, at the deli counter. . . 91

K mart is using a computer-based system to design circulars and save pictures of merchandise to ease planning of future ads. 96

Bar-code scanning is a reality and electronic data interchange is just around the corner, according to a Touche Ross/NRMA survey. . . . 98

What's in Store 102

BAR-CODING, EDI INTEREST RUNNING HIGH, SAYS STUDY

TOUCHE ROSS/NRMA POLL SHOWS STRONG SUPPORT

Bar-code scanning already is a reality. Electronic data interchange is just around the corner. These are the major findings of a Touche Ross Retail Services Group survey conducted for the National Retail Merchants Association (NRMA).

Half the retailers in the study say that their companies are committed to scanning bar-code marked merchandise. And the bigger the company, the more likely it is to embrace scanning.

While only 45% of smaller retail companies (sales less than $50 million) say they are committed to scanning, 77% of medium companies ($50 million-$500 million) and 82% of larger companies (more than $500 million) report that they are committed to bar-code technology.

Scanning's three most important benefits, say retailers in the Touche Ross/NRMA survey, are price accuracy at point-of-sale, checkout productivity and unit inventory accuracy.

Apparel specialty retailers cite improved marketing information as an additional benefit.

Mass merchants, meanwhile, report that lower inventories and faster replenishment are equally important—or even more important—to their business.

How important are the benefits? Judged by the rate of scanning implementation, retail companies rate bar-code scanning's benefits pretty high.

Twenty-eight percent of those in the survey with sales greater than $500 million say they are scanning UPC-A vendor marking already.

Seventy-two percent of all respondents report that they will begin scanning UPC-A vendor marking within 1½-2 years.

All mass merchants in the study, and more than 75% of large department stores, currently are in the process of setting up UPC-A programs with their vendors.

By the end of next year, 100% of mass merchants, 90% of department stores and 62% of specialty stores indicate that they will be scanning UPC-A bar codes.

UPC-A preferred: At the end of 1990, 93% of retailers committed to scanning will use internally-prepared bar-code tickets.

The greatest number (46%) will use UPC-A as their internal bar-code standard. Ten percent expect to use Code 39, 8% Interleaved 2 of 5, 7% Code 128, and 9% other bar codes.

Twenty percent still are undecided as to what code they will use internally.

Laser wands are the most-used scanning technology, according to the Touche Ross/NRMA study. Fifty-two percent of retail companies that already scan are using wands. Forty-five percent hand-held laser guns, 2% flat-bed scanners and 1% side scanners.

More than half of retailers that already are scanning say they use price look-up (PLU). Non-apparel specialty stores (67%) are the most likely to use PLU. Following are mass merchants (57%), department stores (50%) and apparel specialty stores (36%).

Of all those using PLU, about 3 in 4 do price look-up for all merchandise. Eleven percent report that they use price look-up for event items or selected categories of merchandise (19%).

The biggest barrier to implementing bar-code scanning, say the retailers in the Touche Ross/NRMA study, is the investment costs associated with point-of-sale scanning and marking equipment.

Retailers from both small and large companies cite cost as the single largest obstacle.

Other impediments, says the study, are a lack of vendor-marked goods, systems not in place to support bar-code scanning and few perceived benefits and needs.

Those retail companies committed to scanning, however, plan to use bar coding for more than just point-of-sale applications.

Two-thirds of retailers in the study say that they expect to use bar coding for warehouse functions. Forty percent report that they will use scanning for shelf-stocking purposes.

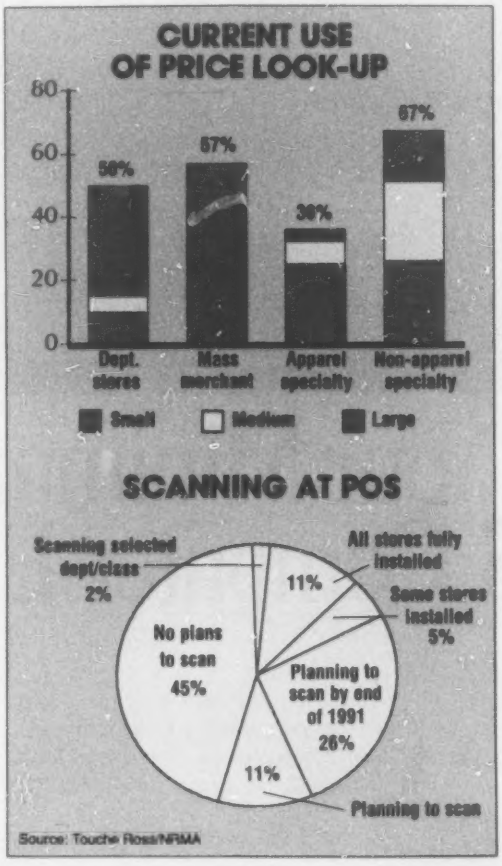
More than half say their companies will use bar coding for inbound/outbound shipping purposes.

Electronic data interchange: Manual entry still is the most common way that retailers transfer information from the vendor's catalog to their own merchandise files.

Thirty-seven percent of retailers in the survey report that they are entering data manually. Seven percent use magnetic tape; 5% use electronic interchange.

In the near future, however, electronic interchange will be the most common way to transfer data into retailer merchandise files from vendor catalogs.

Twenty-two percent of those in the survey say that they plan to implement electronic interchange. Thirteen percent expect to stick with



manual data entry, while 5% will continue to use magnetic tape.

The bigger the company, the more likely it will switch to electronic interchange.

More than half of the biggest retail companies in the Touche Ross/-NRMA poll say that they plan to install electronic information transferral.

Fifty-five percent of survey respondents with sales greater than $500 million already are either using or testing electronic data interchange with selected vendors.

A majority of those in the poll report they are using electronic data interchange to gain a competitive advantage.

The biggest advantage, according to those in the survey, is shortening the re-order fulfillment cycle to develop a Just-In-Time inventory system.

EDI protocols: Sixty-two percent of the survey respondents report that they will use VICS/ANSI X.12 as their EDI protocol of choice. Twenty-one percent cite proprietary protocols, 5% name UCS and 13% pick other protocols.

Third-party mailbox service is the preferred EDI implementation approach, according to the study.

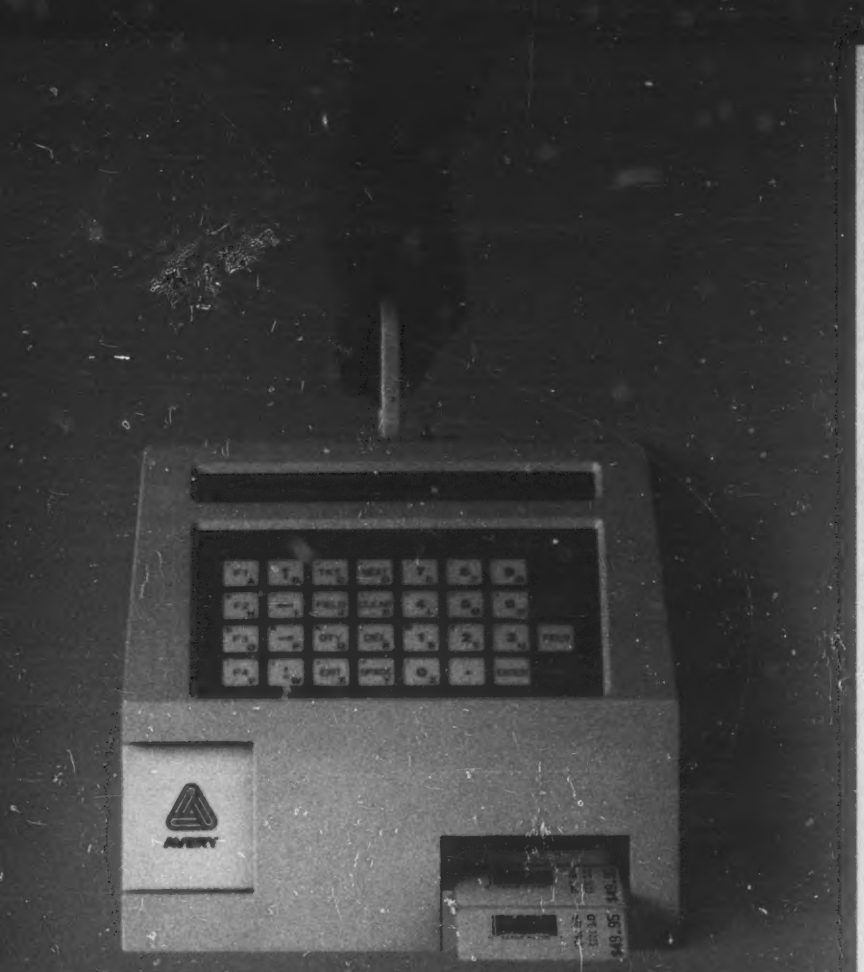
Eighty-three percent of mass merchants choose a third-party mailbox, compared to 65% of department stores, 49% of non-apparel specialty stores and 40% of apparel specialty stores. ■

ABOUT THE SURVEY

The *Bar Code/EDI Survey* was conducted for the National Retail Merchants Association by the Touche Ross Retail Services Group during the fall of 1988. The survey response rate was 15% of the companies receiving the survey.

Forty percent responding are apparel specialty retailers. Thirty-three percent are non-apparel specialty companies (toys, HBA, books, sporting goods), 21% department stores and 6% mass merchants.

More than 40% have annual sales greater than $50 million. One-quarter of the respondents have more than 100 retail locations.



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WARM WEATHER HEATS UP SALES

Balmy January weather and relatively clean inventories capped the fiscal year for many retailers, sales in January exceeded those of a year ago by an average 15.8% for the 20 companies followed by *Chain Store Age Executive*.

Only Best Buy suffered through a negative same-store sales comparison, while Wal-Mart, Rose's, Dollar General, Carter Hawley Hale, and The Limited posted double digit increases.

Several of the conglomerates, however, experienced mixed results. Dayton Hudson posted a 15% total sales gain, with an 8% leap for comp stores at Target.

An even more impressive showing came from Mervyn's where a 12% same-store increase contributed to an overall 17% boost. The company's department stores registered a 17% total and comp store sales jump, but Lechmere fell 3% in comp stores sales despite an overall 5% increase.

Separately, Dayton Hudson announced the closing of its nine-store Branden's home furnishings chain which had been in test for four years.

Caldor turned in the best performance for May Department Stores. The New England-based discount chain had a 14.9% total and a 12.9% comp store sales increase. Venture, the Midwest discount division, recorded a 10.7% total and 7.6% same-store improvement. The department stores had a 6.7% same-store hike, while the division's overall 34.1% increase reflects the purchase last year of Foley's and Filene's. Volume Shoe upped its total sales by 13.9%, comp stores by 5.6%.

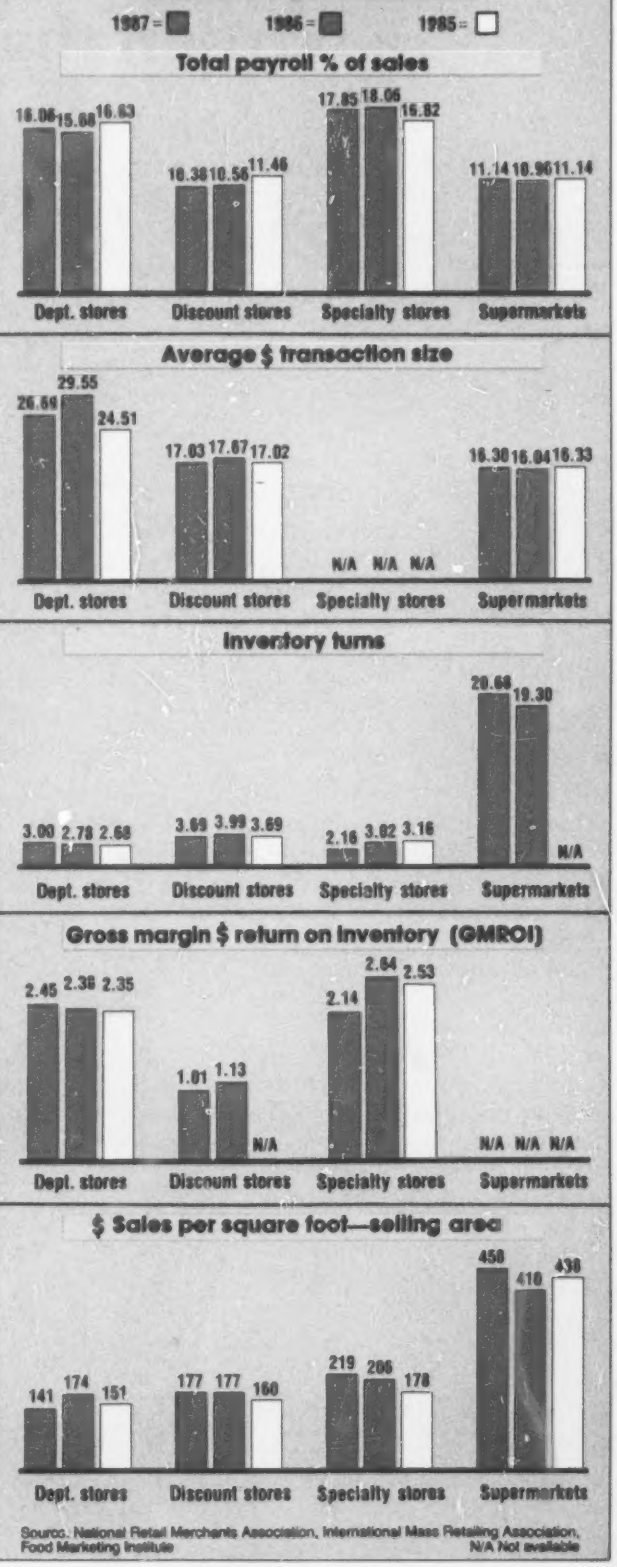
Thanks to its acquisition of Zayre discount stores, Ames catapulted total sales by 140.6%. Same-store sales in Ames stores achieved a 2.2% increase which came on top of a 24.5% same-store improvement a year ago. ■

Company	Jan. '89 sales (in millions)	% change Jan. '88	% change comp. stores	YTD sales (in millions)	% change YTD '88
Sears	$2,132,048	+ 11.4	+ 6.2	$32,420,243	+ 7.3
Penney	813,000	+ 4.1	+ 1.8	14,853,000	+ 0.6
Ward	274,400	+ 8.3	+ 6.9	4,762,100	+ 4.6
Woolworth	447,000	+ 10.1	+ 6.0	8,009,000	+12.1
K mart	1,578,069	+ 6.9	+ 2.5	27,296,639	+ 6.5
Wal-Mart	1,486,000	+ 30.2	+13.0	20,646,000	+29.1
Dayton Hudson	681,000	+ 15.2	+ 9.4	11,970,000	+14.4
Ames	256,000	+140.6	+ 2.2	3,376,000	+59.8
Hills	65,439	+ 15.1	+ 7.1	1,668,686	+10.4
Rose's	68,120	+ 22.2	+16.0	1,439,300	+ 7.7
Dollar General	41,300	+ 13.1	+12.2	908,800	+ 4.6
May	614,900	+ 25.8	+ 7.6	11,524,200	+16.9
Carter Hawley Hale	156,300	+ 13.8	+12.7	1,567,300	+ 6.3
Mercantile	114,433	+ 10.1	+ 8.2	2,258,598	+ 4.9
Neiman-Marcus Group	86,100	+ 17.0	+ 4.7	777,700	+15.5
Carson Pirie Scott	59,700	+ 6.4	+ 8.3	1,158,800	+21.9
Limited	256,700	+ 34.3	+28.0	4,070,000	+15.0
Circuit City	137,700	+ 23.6	+ 7.0	1,607,000	+27.3
Best Buy	38,000	n/c	– 2.0	439,000	+18.3
Walgreens	429,711	+ 11.1	+10.8	429,711	+11.1

n/c = no change

Source: Company reports

RETAIL PRODUCTIVITY



Source: National Retail Merchants Association, International Mass Retailing Association, Food Marketing Institute

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